



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **FIN2213 Financial Management**
 Trimester & Year : May – August 2019
 Lecturer/Examiner : Leow Hon Wei
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
 - PART A (25 marks) : Answer all THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.**
 - PART B (75 marks) : Answer all FOUR (4) structure answer questions. Answers are to be written in the Answer Booklet provided.**
- Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
- This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
- Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 5 (Including the cover page)

Question 1

“Higher risk is associated with greater probability of higher return”. Do you agree with the statement?
Provide an example to support your explanation.

(5 marks)

[Total: 5 marks]

Question 2

(a) Provide **TWO (2)** examples to differentiate the primary and secondary markets for securities.

(4 marks)

(b) Provide **TWO (2)** factors affect the managerial behavior in making financial decision.

(4 marks)

[Total: 8 marks]

Question 3

The Efficient Market Hypothesis (EMH), is an investment theory whereby share prices reflect all information. Explain the **THREE (3)** forms of market efficiency.

(12 marks)

[Total: 12 marks]

[Total: 25 marks]

PART B : STRUCTURE QUESTIONS (75 MARKS)

INSTRUCTION(S) : Answer all **FOUR (4)** questions. Write your answers in the Answer booklet(s) provided.

Question 1

- (a) What is the meaning of the dividend payout policy for a company? (2 marks)
- (b) Explain **THREE (3)** factors that influencing dividend policy of a company. (6 marks)
- (c) If a company is not making profit, how to make dividend payment to shareholder. Explain. (4 marks)

[Total: 12 marks]

Question 2

- (a) What is the **THREE (3)** types of return and **FOUR (4)** types of risk measurement? (7 marks)
- (b) Mr Bala Krisnan has invested RM10,000 in stock A and stock B, compute the required rate of return for his investment if risk free rate 4.5%; beta 1.2; and market return 8% for stock A and stock B's beta is 0.8. Explain your answer. (8 marks)
- (c) Explain the two investments for stock A and stock B. Which one is the better investment in your answer for (b). (3 marks)

[Total: 18 marks]

Question 3

The summarised accounts of SP Setia Berhad for the years 2017 and 2018 are given below.

Income Statement for SP Setia Berhad for the years ending 31 December 2017 and 2018

	2017		2018	
	₹	₹	₹	₹
Sales		250,000		290,000
Less: Cost of goods sold		<u>(170,000)</u>		<u>(250,000)</u>
Gross Profit		80,000		40,000
<u>Less: Expenses</u>				
General expenses	55,000		30,000	
Loan interest	0	<u>(55,000)</u>	2,000	<u>(32,000)</u>
Net Profit		<u>25,000</u>		<u>8,000</u>

Balance Sheet for SP Setia Berhad as at 31 December 2017 and 2018

	2017		2018	
	RM	RM	RM	RM
Total fixed assets		100,000		150,000
<u>Current assets</u>				
Stock	40,000		40,000	
Debtors	35,000		30,000	
Bank	10,000	<u>85,000</u>	5,000	<u>75,000</u>
Total Assets		<u>185,000</u>		<u>225,000</u>
<u>Current liabilities</u>				
Account payable	12,000		15,000	
Accrual salaries	8,000	<u>20,000</u>	2,000	<u>17,000</u>
<u>Long term liabilities</u>				
Commercial loan		<u>30,000</u>		<u>50,000</u>
Total Liabilities		50,000		67,000
<u>Shareholder and owner equity</u>				
Ordinary share capital		135,000		158,000
Total Liabilities and Shareholder and Owner Equity		<u>185,000</u>		<u>225,000</u>

Note: Inventory at 01 January 2017 was RM45,000 and 01 January 2018 was RM55,000

Required:

Calculate the following ratios for 2017 and 2018. Explain your answer.

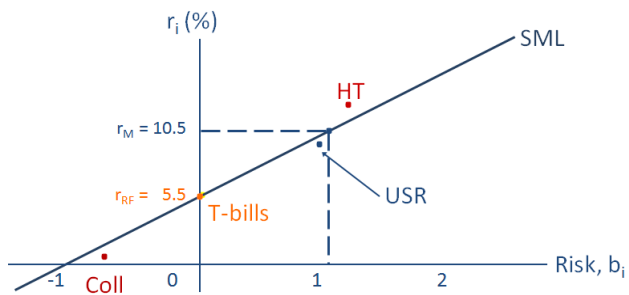
- (a) Gross profit margin (5 marks)
- (b) Inventory turnover (5 marks)
- (c) Net profit margin (5 marks)
- (d) Liquidity ratio (5 marks)
- (e) Acid test ratio (5 marks)
- (f) Return on equity (5 marks)

[Total: 30 marks]

Question 4

Security Market Line (SML) shows the relationship between risk and return for assets and helps to make investment decision. Briefly explain the security market line for HT share and USR share.

(15 marks)



[Total: 15 marks]

[Total: 75 marks]

END OF EXAM PAPER